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# Gold price hits \$1 000 mark: Hilton Davies - founding director, SA Bullion



**‘In bad times gold is a currency; in good times gold is a commodity.’**

**ALEC HOGG:** Hilton Davies from SA Bullion joins us now. Hilton, on an auspicious occasion for the gold price. It went through \$1 000/oz. The last time it did this was in March last year and at that point in time things were very different. Are you expecting, unlike Paul Walker told us earlier in the week, that it might be able to hold another \$1 000 this time?

**HILTON DAVIES:** I think long run that story is very clear. I think short run it's anyone's guess. I wouldn't be surprised to see us bouncing around these levels for quite a while, though.

**ALEC HOGG:** So getting through \$1 000 is not that big a deal?

**HILTON DAVIES:** I don't see it as a big deal. It's a number that people like to latch on to. It's just another number in an infinite continuum, but it's nice to see it go through the level. But I wouldn't be surprised if we don't see a few more crosses over it.

**ALEC HOGG:** Record inflows into exchange-traded funds all around the world - gold exchange-traded funds, that is. I guess that wouldn't surprise you. But what do you think about that long-term prospect for bullion?

**HILTON DAVIES:** I think the story really is that gold is a currency. In bad times gold is a currency; in good times gold is a commodity. And we're into the bad times. I think it's a generational story, and I think in these bad times we will probably see cash delivering pretty poor returns. And the expectation by gold investors is that the gold return will outperform the cash return.

**ALEC HOGG:** So gold rather than US dollars or euros?

**HILTON DAVIES:** Exactly.

**ALEC HOGG:** We heard today that China is going to be issuing renminbi bonds to global investors for the first time. I guess that also shows us that people are looking for alternatives?

**HILTON DAVIES:** Exactly. China is also very big on pushing gold now to their populace as well.

**ALEC HOGG:** Yes, we had a story on that on Mineweb, which I think had 25 000 people from around the world reading it. So there clearly is interest not only in the Western World about what happens in China, but the Chinese people themselves. Do you know if they have been responding yet to that call?

**HILTON DAVIES:** No, I'm afraid I don't.



INTERVIEWER  
PROFILE

**Alec Hogg** Alec Hogg is a writer and broadcaster. He founded Moneyweb and is its editor-in-chief.

Email Alec Hogg

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**ALEC HOGG:** What about the best option or the best investment in gold? We have the NewGold exchange-traded fund listed on the JSE, some people have Krugerrands. What do you prefer?

**HILTON DAVIES:** I think NewGold is great. I think it has its limitations. When buying NewGold, one is buying an unsecured debenture, and so I think one has to bear in mind that it's a listed product and listed products can go down with the tide - as with all listed products. And it's not to be confused with gold, it's not the same as owning physical gold.

**ALEC HOGG:** The problem, of course, is physical gold in South Africa is priced in rands, and the rand gold price hasn't exactly done well.

**HILTON DAVIES:** Well, any form of gold - whether it's derivative gold or physical gold. So you are quite right. Recently gold has performed abysmally in rand, and that's due to the rand strength. So really, the big question is: where to for the rand from here?

**ALEC HOGG:** So if you are a rand bull, you wouldn't be buying gold yet?

**HILTON DAVIES:** I would agree. I think if you were saying, gee, the rand's had a tremendous run, and maybe now it's the time to take some cash off the rand table, I think that person would be saying this is a very good opportunity.

**ALEC HOGG:** Hilton Davies is with SA Bullion.

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